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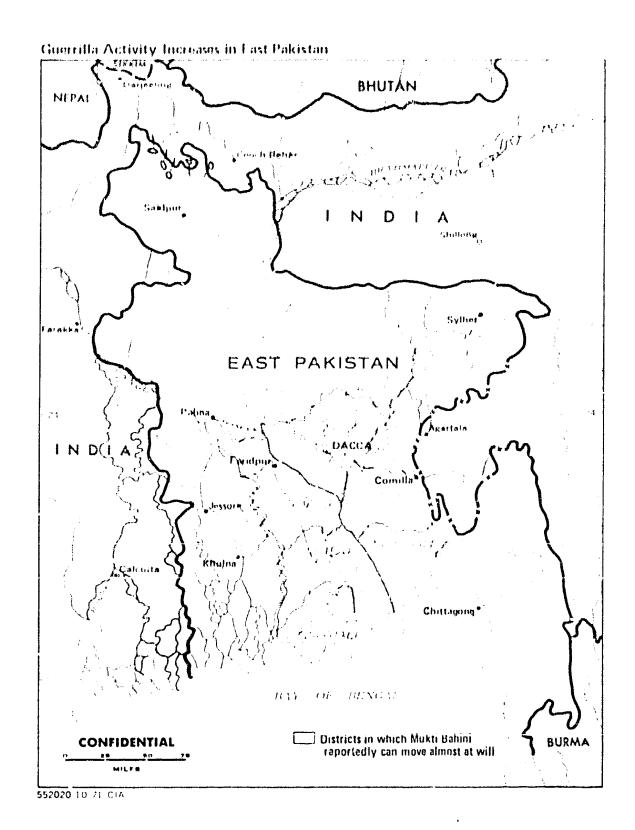
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PAKISTAN: The insurgency in East Pakistan has increased in intensity over the past three months.

In some parts of the province the Mukti Bakini move almost at will and have established a civil administration, according to an assessment by the US consul general in Dacca. The insurgents are better armed and increasingly able to carry out operations such as the mining of ships and the sabotage of bridges.

Ambushes of the Razakars--a locally recruited militia--and of the army have on occasion inflicted significant casualties. The consulate estimates that the army is losing 10 to 12 killed a day.

The consulate believes that the Mukti Bahini are now sufficiently established and organized to continue operations

Continued support at present levels, in the view of the consulate, is likely to increase insurgent capabilities, but not so much that the Bengalis will be able to defeat major units in the field for at least "many months." (CONFIDENTIAL)

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PARISTAN: The threat of famine is subsiding in East Pakistan now that the critical inter-harvest period of September-October is drawing to a close.

Localized food shortages have been reported, but the outflow of over nine million refugees has reduced food requirements, and private stocks apparently have been adequate. In addition, the crash program to distribute imported foodgrain to the countryside has helped somewhat. Harvesting of the rice crop that provides about 60 percent of annual production will start early in November. The East Pakistani government estimates that the crop will be almost 20 percent below normal, but foodgrain imports of 1.7 million tons over the next year—the amount considered feasible to transport internally—would be sufficient to provide minimal requirements.

US AID officials in Dacca have recommended that monthly foodgrain shipments to East Pakistan be reduced to 140,000 tons from the 200,000 tons now scheduled through December because of mounting port congestion. As of 16 October there were 316,000 tons of foodgrain on ships in port awaiting unloading and on the docks awaiting movement from the ports. Storage facilities near the ports are full, and upcountry shipment is being hampered by poor port management and internal transport disruptions. Even with the expected arrival of additional river vessels in late October, it will require about two months to move the backlog.

Meanwhile, Islamabad is predicting a 900,000-ton foodgrain gap in West Pakistan for the year ending June 1972, because the wheat crop now being planted is facing a severe water shortage. To parcially offset the predicted shortfall, Islamabad has asked the US for 500,000 tons of PL 480 wheat. (CONFIDENTIAL)

EUROPEAN COMMUNITIES: The European countries are endeavoring to close ranks for negotiations with the US on monetary and other matters.

At the EC Council meeting on US-EC relations earlier this week, the Six decided to prepare for a series of ministerial-level council sessions to develop common policies on current international monetary, trade, and other economic problems. Foreign, finance, eqonomics, and agricultural ministries will participate. Particular note was taken of the need to consult closely with the four applicants for EC membership.

Differences between Bonn and Paris over the monetary question remain a serious obstacle to a common EC front, but Chancellor Brandt has made clear Germany's eagerness to find a joint solution. Echoing the sense of a recent German cabinet meeting, he said in the Bundestag this week that priority should be given to this task.

A high French official, meanwhile, commenting on this week's council meeting, noted the first signs of an emerging consensus that the EC, in seeking to satisfy the US demand for "tangible progress" in the removal of trade barriers, make no one-sided concessions. According to Luxembourg Foreign Minister Thorn, "more and more Europeans" want the US Government to discuss monetary and trade problems with the EC as a whole, rather than with individual countries—apparently an allusion to the reported US willingness to lift the import surcharge selectively.

In preparing for the enlarged council meetings later this year and a summit conference of the EC members and applicants now tentatively scheduled for Paris in February 1972, the EC Commission is preparing an inventory of US and EC trade complaints against each other. A forthright series of press articles by Commissioner Deniau this week indicated

that community concerns extend beyond trade questions, however. He suggested that the EC seek through negotiations with the US to establish the framework for a "new Europe" and stated that the economic issues have fundamental political aspects which in turn are rooted in the problem of European defense. Referring to the US desire for greater defense burden-sharing, Deniau said this must have as its counterpart greater "decision-sharing" with the Europeans in nuclear as well as non-nuclear defense activities. (SECRET NO FOREIGN DISSEM)

KOREA: The preparatory discussions between North and South Korean Red Cross delegations on uniting families divided by the war appear likely to enter the formal negotiating stage in the next two months despite current procedural wrangling.

In the five preliminary sessions held thus far both sides have agreed to hold formal talks alternately in Seoul and Pyongyang but have been unable to set a definite date. This, however, appears to be only a temporary hangup. Pyongyang has proposed

10 December as a starting date [

Seoul is insisting that the discussions move forward slowly and has opposed broadening them into political discussions as suggested by the North. This caution has been motivated both by fear of North Korean aggressive intentions and genuine reluctance on the part of influential South Koreans to deal with the North.

For their part, the North Koreans are using the talks to project an image of reasonableness and flexibility. While accusing the southerners of footdragging, they have nonetheless muted their traditional vitriol directed at the Pak government and conceded a number of points to preserve the generally harmonious atmosphere of the preparatory meetings.

Despite their substantial differences, both Pyengyang and Seoul are sensitive to the considerable domestic and international considerations which militate against turning the future meetings into propaganda forums. For this reason it is likely that gradual progress on reuniting some families and perhaps some additional North-South contacts will be made in the early months of 1972. (SECRET NO FOR-EIGN DISSEM)

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TUNISIA: President Bourquiba has moved to underscore his domination over the Destourian Socialist Party, the country's only political party.

Bourguiba has suspended Ahmed Mestiri, leader of the reformist faction that dominated last week's party congress, from membership on the party's central committee. Bourguiba referred the matter of party membership for Mestiri to a disciplinary committee. Loss of membership for Mestiri would mean loss of his seat in the National Assembly, Tunisia's largely advisory parliament whose authority he has sought to enhance.

Mestiri, who claims that at the party congress his reformists won 75 percent of the seats on the central committee, was eager to consolidate his victory when that body elected a 14-member political bureau. Bourguiba delayed convoking the central committee for an election, however, and Mestiri attempted to exert pressure on the President by some frank statements to the foreign press. The conservative faction responded in the party-controlled press by charging that Mestiri was using "fascist" tactics.

Although he is bitter and anxious to be vindicated, Mestiri is not likely to seek a showdown now with Bourguiba. Were Mestiri so inclined, he might find that most if not all of his support had dissipated, for most Tur.isian politicians are unwilling to challenge Bourguiba directly. (CONFIDENTIAL)

NOTE

NIGERIA: After more than a year of negotiations Occidental Petroleum and the Nigerian Government have concluded an agreement which gives Lagos 51-percent participation in Occidental's new offshore concession once oil is found in commercial quantities. Lagos will bear 51 percent of costs and receive 51 percent of profits when its option is exercised. Each partner will participate equally in management--th main bone of contention in the protracted negotiations -- but in an apparent concession to Occidental, each partner will bear the full responsibility for any action taken with which the other disagrees. This agreement probably will form the basis for negotiations with the other successful offshore bidders who are expected to accept the same formula. Meanwhile, Nigeria is reported to have advocated one-third participation in all existing concessions at a recent OPEC meeting, but Lagos probably will move slowly, preferring first to establish solidly participation in new concessions. (CONFIDENTIAL)